

STEEL IMPORT STABILIZATION ACT

SEPTEMBER 27, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 6301]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6301) to provide authority for enforcing arrangements restricting the importation of carbon and alloy steel products into the United States that are entered into for purposes of implementing the President's national policy for the steel industry, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are shown in the reported bill, with the matter proposed to be stricken shown in linetype and the matter proposed to be inserted shown in italic type.

BACKGROUND AND PURPOSE

H.R. 6301 provides legislative authority for the President to implement and enforce a national policy for the steel industry as expressed in his September 18 announcement regarding import relief (Executive Communication 4046, House Document 98-263). The bill provides authority to impose necessary import measures to enforce any bilateral arrangement entered into or undertaken as part of such national policy. The legislation makes the exercise of such authority, however, contingent upon satisfactory reinvestment and modernization efforts by the industry. The legislation also contains

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several provisions designed to assist steelworkers who are on long-term unemployment and who have limited prospects for returning to work in steel operations. Finally, H.R. 6301 contains sense-of-the-Congress provisions indicating that steel imports should, through the President's program, be reduced to a level commensurate with fair trade conditions, which should approximate 17 percent of U.S. consumption, and that if the President's program is unsuccessful, further legislative action will be considered. The bill contains important findings about the need of the industry to modernize its production facilities, the serious injury caused to the industry by imports, and the need for more aggressive government action against unfair trade in steel products (particularly dumping and subsidies).

H.R. 6301 is a response to the President's decision to deny a recommendation for the imposition of mandatory quotas by the U.S. International Trade Commission (ITC) under the procedures set forth in section 201 of the Trade Act of 1974. In deciding to reject outright quotas, the President announced his intention to negotiate so-called "surge control" arrangements and other bilateral restraints with steel-exporting countries in order to limit overall steel imports. The statement also committed the government to a more vigorous policy of enforcement with respect to unfair trade practices such as dumping and subsidization. The statement concluded with the express hope that a combination of appropriate actions would result in an import share of approximately 18.5 percent excluding semi-finished steel, or about 20 percent when a target level for semi-finished steel is factored in.

This action by the President came after extensive deliberations by the Committee on legislation to impose import quotas on all categories of carbon and alloy steel products. That legislation, entitled the "Fair Trade in Steel Act" (H.R. 5081), has been the subject of extensive hearings and debate within the Committee. As is the appropriate procedure under the trade laws, however, a decision by the Committee on whether to report such a measure was delayed until the appropriate procedures under the 1974 Trade Act—a recommendation by the ITC followed by a Presidential decision—was entirely complete.

In light of the President's decision to negotiate appropriate limits on imported steel rather than adopt unilateral quotas, the Committee does not consider it appropriate to take action on the Fair Trade in Steel Act at this juncture. The major steel producers have reacted favorably to the President's decision, and it appears that, if this program is fully and aggressively implemented, many of the objectives of that legislation would be achieved.

Furthermore, the negotiation of bilateral restraints or other understandings could avoid harsh retaliation by our trading partners and thereby avoid potentially serious consequences to U.S. exporters.

The Committee does believe, however, that it is both appropriate and necessary to address the President's recent action by granting express authority for the enforcement of comprehensive surge control arrangements while at the same time tying such arrangements to an ongoing commitment by the industry to modernize its plants and provide adequate safeguards to its workers. H.R. 6301 estab-

lishes such conditions, yet does so in a manner that is reasonable and achievable insofar as the industry is concerned. Moreover, the legislation establishes clear Congressional oversight of the President's program, so that the full authority and power of the Legislative branch is committed to the objectives set forth in the Act. The legislation contemplates a comprehensive program of negotiated restraints, covering all steel products (thereby avoiding diversion among various product categories) and all countries for which export surges are a serious problem. Finally, H.R. 6301 makes it clear that Congress will consider appropriate action, with respect to both steel and iron ore, if the President's program does not bring about satisfactory results within a reasonable period.

SUMMARY OF THE STEEL IMPORT STABILIZATION ACT, H.R. 6301, AS AMENDED

H.R. 6301, as amended, consists of nine sections to provide the President with authority to enforce the quantitative limitations and bilateral arrangements entered into as part of the President's national steel policy and to provide certain worker assistance to dislocated steelworkers.

The principal provisions of H.R. 6301 can be summarized as follows:

SECTION 1: SHORT TITLE

Section 1 states that this Act may be cited as the "Steel Import Stabilization Act."

SECTION 2: FINDINGS AND PURPOSES

Section 2 sets forth six Congressional findings with respect to the domestic steel industry's need for increased capital investments in order to modernize its plant and equipment; the adverse effects of an overvalued dollar and large deficits as well as serious injury due to imports of and unfair trade in steel products; the difficulties of combating unfair trade practices through the trade remedy laws; the need for expeditious and effective action by the Executive Branch in dealing with unfairly traded steel, including greater efforts to self-initiate and pursue remedies; the requirement that any import relief provided should be tied to a firm commitment by the steel industry to modernize during the period of relief; and that full and effective implementation of the national steel policy will substantially improve the economy and employment in both the steel and iron ore-producing sectors.

Section 2 also sets forth the purposes of this Act, which are to provide the President with authority to enforce the bilateral arrangements that are entered into or undertaken for purposes of implementing the national steel policy, and to make the continuation of that enforcement authority subject to the condition that the steel industry undertake a comprehensive modernization of its plant and equipment.

SECTION 3: SENSE OF THE CONGRESS

Section 3 contains three provisions expressing the sense of the Congress. The first is that the President should use this authority to implement the national policy in such a manner as to restore the import share of the U.S. steel market to a level commensurate with that which would obtain under conditions of fair, unsubsidized competition, a level which the Congress believes should be approximately 17 percent.

The second provision expresses the sense of the Congress that the national policy should not be implemented in a manner contrary to the antitrust laws.

The third provision expresses the sense of the Congress that, if the President's program does not produce satisfactory results within a reasonable period of time, the Congress will consider taking further legislative action.

SECTION 4: DEFINITIONS

Section 4 provides definitions of the terms "bilateral arrangement," "carbon and alloy steel products," "national policy for the steel industry," and "steel industry."

SECTION 5: ENFORCEMENT AUTHORITY

Section 5 provides the President with authority to carry out such actions as may be necessary or appropriate to enforce the quantitative limitations and restrictions (including export measures required by a foreign government or customs union) contained in each bilateral arrangement. In using this authority, the President shall, to the extent practicable, cover all categories of carbon and steel alloy products, avoid distortions among those categories, and include all exporting countries and customs unions from which surges in exports of those products to the United States are being, or have been, experienced.

SECTION 6: EFFECTIVE PERIOD; ANNUAL RENEWAL

Section 6 provides that the authority under Section 5 shall be limited to a maximum of five years, subject to annual renewal. Such authority will renew annually only if the President determines that, during the previous year, the steel industry, taken as a whole, (a) has invested substantially all of its net cash flow from carbon and alloy steel product operations for purposes of reinvestment in, and modernization of, that industry through investment in modern plant and equipment, research and development, and other appropriate projects; and (b) has taken sufficient action to maintain its international competitiveness, including action to restrain and discipline pricing policies and to control costs of production. An affirmative determination by the President under this section can be made only if each major company with significant reinvestment or modernization needs has committed all of its net cash flow (except that required to be committed to retraining) from carbon and alloy steel product operations during the previous year to meet those needs, and only if each major company with significant unemployment has committed during the previous year at

least one percent of net cash flow to the retraining of workers, including former workers who were laid off since January 1, 1982.

In making this determination, the President shall take into account information available from the International Trade Commission and other appropriate sources relating to the modernization efforts of the industry.

Such annual determination, and the reasons therefor, must be submitted by the President to the Committee on Ways and Means of the House and the Committee on Finance of the Senate before the date of renewal of authority.

SECTION 7: WORKER ASSISTANCE PLAN

Section 7 requires the Secretary of Labor to prepare, in consultation with the Steel Advisory Committee, and submit to Congress within six months a proposed plan of action for assisting workers in communities that are adversely affected by steel imports, including retraining and relocation assistance for former steelworkers who are unlikely to return to employment in the steel industry. Such plan shall be based on existing authority, but shall be accompanied by such recommendations for additional statutory authority as the Secretary considers necessary to carry out the purposes of the plan.

SECTION 8: TRADE ADJUSTMENT ASSISTANCE

Section 8 extends the authorization for the worker and firm adjustment assistance programs under Title II of the Trade Act of 1974 for two additional years, through September 30, 1987.

SECTION 9: EFFECTIVE DATE

Section 9 provides that this Act shall take effect on October 1, 1984.

COMMITTEE ACTION

H.R. 6301 was introduced on September 25, 1984 in response to Executive Communication 4046, dated September 18, 1984, in which President Reagan transmitted to Congress his action under Section 203 of the Trade Act of 1974 with respect to import relief for the U.S. carbon and alloy steel industry.

The Subcommittee on Trade held hearings on problems in the U.S. steel industry relating to trade and competitiveness, including testimony on H.R. 5081, the Fair Trade in Steel Act of 1984, on April 26, May 2, May 8, June 20, and August 3, 1984. The Subcommittee received testimony from a wide range of witnesses, including the Administration, steel producers, the labor union, steel consumers, and other parties who might be affected by legislated quotas.

On September 25, the Committee on Ways and Means considered H.R. 6301 in markup session. The Committee ordered H.R. 6301 favorably reported with one amendment by a voice vote.

SECTION-BY-SECTION ANALYSIS AND JUSTIFICATION

SECTION 1: SHORT TITLE

Section 1 provides that this act may be cited as the "Steel Import Stabilization Act."

SECTION 2: FINDINGS AND PURPOSES

Section 2 sets forth six Congressional findings which provide the background for this legislation. The first finding is that the U.S. steel industry has a serious need to modernize its plant and equipment in order to enhance its international competitiveness, and needs increased capital investments to effect that modernization. Steel produced abroad often has a competitive advantage over domestically produced steel due to the extremely modern facilities and technologies used abroad. The U.S. steel industry lags behind many of its international competitors in terms of technological competitiveness, and needs to modernize plant and equipment through increased capital investments in the industry.

The Congress also finds that the ability of the domestic steel industry to be internationally competitive is, and has been impeded by the effects of the enormous Federal budget deficit, and overvalued dollar, and increasing trade deficits, as well as serious injury due to imports of and subsidies, dumping, and the use of other unfair and restrictive foreign trade practices regarding, carbon and alloy steel products. In its report to the President under the carbon and alloy steel section 201 investigation, the ITC determined that increased imports are a substantial cause of serious injury to five of the nine product categories under investigation. Subsidization and dumping have been found with respect to many of the countries exporting steel to the United States. Indeed, such practices are so extensive in the steel sector that the domestic steel industry, which must file anti-dumping and countervailing duty cases with respect to specific steel products from specific countries, carries a greater burden than most other industries in trying to combat unfair trade practices through the trade remedy laws.

The Congress further finds that more vigorous efforts by the Executive Branch to self-initiate and pursue remedies against unfair trade practices, and expeditious and effective action under the President's national policy are needed to eliminate the adverse effects of unfair trade practices.

One of the most important of the Congressional findings, which provides the fundamental framework for this legislation, is that import relief should not be granted to the steel industry unless it is tied to a firm commitment by that industry to engage in serious and substantial modernization during the period of relief. This principle was extensively and thoroughly explored by the Committee during its deliberations on H.R. 5081, the Fair Trade in Steel Act. This principle was a fundamental element of the Fair Trade in Steel Act, and the primary reason why the United Steelworkers of America actively endorsed that legislation. In the report of the ITC to the President regarding the section 201 investigation, two of the five Commissioners recommended that, if the President provides import relief, such relief should be conditioned on appropriate ad-

justment plans and commitments. Support for this concept of "conditionality" is widespread, and provided the impetus for this legislation.

Finally, the Congress finds that full and effective implementation of the national policy for the steel industry will substantially improve the economy and employment in both the steel and iron ore-producing sectors.

Section 2(b) sets forth the purposes of this Act, which are to supplement the authority of the President to achieve the goals of the national steel policy by granting enforcement powers regarding those bilateral arrangements that are entered into or undertaken for purposes of implementing that national policy, and to make the continuation of those powers subject to the condition that the steel industry undertake a comprehensive modernization of its plant and equipment.

SECTION 3: SENSE OF CONGRESS

Section 3 contains three sense-of-the-Congress provisions. The first is that the President should implement the national steel policy in such a manner as to restore the foreign share of the U.S. market for carbon and alloy steel products to a level commensurate with that which would obtain under conditions of fair, unsubsidized competition in that market. It is the sense of Congress that such level should, when that policy is fully implemented, result in an import market share of approximately 17 percent, subject to such modifications that changes in market conditions and the composition of the steel industry may require. This 17 percent figure would reflect an overall national average import share. The Committee does not expect the import share to be 17 percent in each customs region; such shares can be expected to vary from one customs region to the next, in accordance with long-established historical patterns of import penetration.

Subsection 3(2) states the sense of Congress that the national policy for the steel industry should not be implemented in a manner contrary to the antitrust laws. The national policy should not promote or condone, for example, steel cartels or other price-fixing or market-restricting practices which are inconsistent with our antitrust laws.

Finally, subsection 3(3) states the sense of Congress that, if the national policy for the steel industry does not produce satisfactory results within a reasonable period of time, the Congress will consider further legislative action. What constitutes "satisfactory results within a reasonable period of time" will be for the Congress, not the President, to determine. Further legislative action includes such actions concerning steel and iron ore products as may be necessary or appropriate to stabilize conditions in the domestic market for such products. In addition to maintaining strict Congressional oversight over the President's implementation of the national steel policy, this provision reflects the Committee's concern over conditions in the domestic iron ore industry, which is linked to the condition of the steel industry, and the possible need for further legislative action concerning both steel and iron ore products.

SECTION 4: DEFINITIONS

Section 4 provides definitions of four terms used in the Act: "bilateral arrangement," "carbon and alloy steel products," "national policy for the steel industry," and "steel industry."

The term "bilateral arrangement" means any arrangement, agreement, or understanding (including, but not limited to, any surge control understanding or suspension agreement) entered into or undertaken, or previously entered into or undertaken by the United States and any foreign country or customs union, containing such quantitative limitations or other restrictions on the importation into, or exportation to, the United States of categories of carbon and steel alloy products, as may be necessary to implement the national policy for the steel industry.

This definition is meant to be broad enough to include not only formal restraint agreements reached between the United States and a foreign country or customs union, but also informal understandings whereby a foreign exporting nation has declared to the United States government, or offered other assurance, not necessarily in writing, that it will restrain its exports steel products to the United States to a specified level or share of the U.S. market. The definition encompasses not only arrangements entered into after the date of enactment of this legislation, but also all other arrangement previously entered into whose implementation will be part of the President's national steel policy.

The term "carbon and alloy steel products" means articles of the kinds subject to the investigation of the ITC numbered TA-201-51, and fabricated structural steel articles provided for under items 652.97 and 653.00 of the Tariff Schedules of the United States. The term covers all articles subject to the section 201 investigation conducted by the ITC, and is not limited to those articles or product categories the ITC found to be seriously injured by imports. Furthermore, the definition also includes two types of fabricated structural steel products which were not included in the section 201 investigation, but which the Committee considers to be in the general category of fabricated structural steel products. These items are offshore oil and natural gas drilling and production platforms and parts thereof made of iron or steel (652.97), and the basket "other" category of fabricated structural units made of iron and steel (653.00).

The term "national policy for the steel industry" means those actions and elements described in Executive Communication 4046, dated September 18, 1984 (printed as House Document 98-263), which officially transmits to Congress the President's response to the petition for import relief for the domestic carbon and alloy steel industry. Such response denied formal import restraints under the authority of section 203 of the Trade Act of 1974, but described a series of actions and elements which would constitute the President's new national policy for the steel industry.

The term "steel industry" means producers in the United States of carbon and alloy steel products.

SECTION 5: ENFORCEMENT AUTHORITY

Section 5 provides the basic authority to the President to carry out such actions as may be necessary or appropriate to enforce the quantitative limitations and restrictions (including export measures required by a foreign government) contained in each bilateral arrangement. Such actions may include, but are not limited to, requirements that valid export licenses or other documentation issued by a foreign government be presented as a condition for entry into the United States of such carbon and alloy steel products.

This enforcement authority is intentionally broad, to enable the President to enforce a wide variety of agreements and understandings in effect with different steel-exporting nations. Where the foreign exporting country has agreed to limit its steel exports to the United States by means of an export licensing system, for example, this authority allows the President to require such foreign export license as a condition for entry into the United States. Where the foreign-steel-exporting nation has not agreed to any specific enforcement mechanism, but agreed to restrain its steel exports to a certain level, this authority allows the President to prevent the entry of steel products from that country beyond the level specified. This authority, for example, would allow the President to have Customs monitor the level of steel imports from that country, and deny entry into the United States once the specified level has been reached. The Committee expects that the President will take measures to place appropriate restrictions on the use of foreign trade zones to avoid circumvention of the restrictions established under the national steel policy.

Section 5(b) requires the President to use this enforcement authority, to the extent practicable, to cover all categories of carbon and steel products and to avoid distortions among those categories. This provision is designed to urge the President to be as comprehensive as possible in implementing the national policy for the steel industry. Enforcement of restraints on a country's exports in, for example, two steel product categories will be ineffective if that same country's exports in another steel product category is unrestrained and therefore allowed to increase significantly. Negotiated restraint arrangements should therefore cover all categories of carbon and alloy steel products which the particular country exports to the United States. The President may provide for less restricted, or unrestricted, entry of certain specific items for reasons such as short supply in the United States, but should attempt to provide restraints for each of the nine product groups identified by the ITC in its section 201 investigation.

Section 5(b) also requires the President to be as comprehensive as practicable in enforcing restraint arrangements from all exporting countries and customs unions from which surges in exports are being, or have been, experienced. In order to be effective, the national policy must deal with all countries whose steel exports to the United States have significantly increased over the recent past, or whose levels of steel exports to the United States have departed from historical trends or normal market trends. This provision is not designed to reach countries whose steel exports have been

traded fairly and have been at levels which the United States feels is consistent with market forces.

The enforcement authority included in section 5 of this bill is not meant to exclude or prevent international negotiation to establish limits of imports in various categories of specialty steel products. The Committee is aware of and very concerned about the recent surges of imports in several specialty steel product lines within the past year. Imports of some specialty steel products, such as stainless steel wire, have increased dramatically, in many cases as a result of product diversion, dumping, and subsidization. Surges in imports of specialty steel products, such as stainless wire, may cause serious and lasting injury to the efforts of the domestic specialty steel industry to remain internationally competitive. The Committee does not intend for this bill to preclude action through international negotiations to address problems in the specialty steel sector.

SECTION 6: EFFECTIVE PERIOD

Section 6 provides that the enforcement authority under section 5 shall last for no more than five years, and is subject to annual renewal within the five-year period. The enforcement authority, upon taking effect, shall be subject to expiration and renewal each year during the five-year period. The President must determine before the end of that one-year period that the industry is in compliance with the requirements set forth in this section in order for renewal to occur. Such annual determination by the President must be submitted in writing, together with the reasons therefor, to the House Committee on Ways and Means and the Senate Committee on Finance before the end of the one-year period, or else the authority is terminated. Once the authority is terminated, it is not subject to revival.

The annual affirmative determination that the President must make is that the steel industry, taken as a whole, has, during the previous year, committed substantially all of its net cash flow from steel operations to reinvestment in, and modernization of, the industry, and taken sufficient action to maintain its international competitiveness.

Net cash flow is defined in this section as annual net (aftertax) income plus depreciation, depletion allowances, amortization, and changes in reserves minus dividends. This definition is to be interpreted in accordance with generally accepted principles of accounting. Amortization refers to both short-term and long-term debt.

The purpose of this provision is to tie the period of restraint under negotiated restraint agreements and arrangements to a serious and comprehensive commitment on the part of the domestic steel industry to engage in meaningful reinvestment and modernization. The industry's difficulty in competing with foreign-produced steel is in part due to more modern plant and equipment and technologies used by foreign steel producers. For example, continuous casting is a method by which molten steel is poured through a caster directly into semi-finished shapes. Use of this method increases output per worker, reduces energy needs, raises yield, and improves product quality. Approximately 90 percent of

the steel produced in Japan and 60 percent of the steel produced in Europe is continuously cast, while only one-third of the steel produced in the United States is continuously cast. Furthermore, production of steel by means of open hearth furnaces is now considered an outmoded technology, and has long been eliminated in Japan and Europe, yet open hearth capacity in the United States still exist.

This provision requires the industry to commit substantially all of its net cash flow to reinvestment and modernization. This would include investment in new plant and equipment, such as purchase of continuous casters, computerized control systems, and other high-technology equipment and processes; modernization of existing facilities; research and development in new technologies relating to steel production; and other appropriate projects to assist in modernization of the industry. It is not the committee's intention that the President, or the Congress, mandate which types of investments in new plant and equipment are necessary or appropriate for each company, but rather than the President be satisfied that, overall, comprehensive modernization and reinvestment efforts are being taken by the industry.

Such "other appropriate projects" may, at the President's discretion, include certain amounts for working capital, such as for the purpose of buildings up inventories, or for payments on debts relating to capital improvements, as long as the President determines that such expenditures are in furtherance of overall reinvestment and modernization goals and directly related to steel operations. It would not include any investment in any nonsteel-related operations. It may not be used, for example, to finance the acquisition of assets in the oil industry, or any sector other than the steel industry. The overriding concern of the Committee is that the industry be required to plow back all available funds into the operation and modernization of their steel facilities.

In light of the fact that the standard under this section is an industry-wide standard, the relevant inquiry is whether the industry, taken as a whole, has committed substantially all of its net cash flow. The "substantially all" language is to allow the President sufficient flexibility in determining whether the standard has been met if, for example, one small producer has committed less than all of its cash flow for reinvestment and modernization. Furthermore, the Committee recognizes that certain companies within the industry have already committed substantial sums to modernization and do not currently have significant reinvestment or modernization needs. The provision on commitment of cash flow, however, is further subject to a company-specific standard under subsection (b)(2).

Subsection (b)(2) provides that the industry-wide standard in subsection (b)(1)(A) shall not be met unless each major company with significant reinvestment or modernization needs has committed all of its net cash flow (except that required to be committed to retraining under subparagraph (B)) from steel operations during the previous year to meet those needs. The term "major company" means an enterprise whose raw steel production in the United States during 1983 exceeded 1.5 million net tons. The companies meeting this definition include U.S. Steel Corporation, Bethlehem Steel Corporation, National Steel Corporation, Inland Steel Corpo-

ration, Armco Incorporated, Republic Steel Corporation, Rouge Steel Company, and Wheeling-Pittsburg Steel Corporation.

The phrase "significant reinvestment or modernization needs" in this subsection relates to needs that are significant in relation to the size of each major company, and which relate to its ability to remain competitive.

This provision is designed to ensure that all of the major companies, individually, commit all of their net cash flow to reinvestment and modernization. The industry-wide standard in subsection (b)(1)(A) will not be met unless each major company under subsection (b)(2)(A) has also met the standard. Whereas the "substantially all" language in (b)(2)(A) allows for the industry-wide standard to be met even if one small producer may have committed less than all of its net cash flow for reinvestment and modernization, the industry-wide standard will not be met if any major producer with significant reinvestment and modernization needs has not committed all of its net cash flow. The President's determination with respect to the industry-wide cash flow requirement, therefore, must look to company-specific performances as well. The factors to be considered with respect to each major company under subsection (b)(2)(A) are intended to be the same as those involved with respect to the industry as a whole under subsection (b)(1)(A).

The commitment of net cash flow under the company-specific requirement, unlike the industry-wide standard, requires 100 percent of net cash flow to be committed to reinvestment or modernization, unless that company is subject to the minimum 1 percent workers retraining requirement under subsection (b)(2)(B). In such a case, the percentage of net cash flow committed to worker retraining would be deducted from total net cash flow, to determine the percentage of net cash flow required to be committed to reinvestment and modernization for that company.

Subsection (b)(2)(B) requires that, in order for the industry-wide net cash flow standard of subsection (b)(1)(A) to be met, each major company that has, or reasonably anticipates, significant unemployment in steel operations must have committed, during the previous year, at least 1% of net cash flow to worker retraining. The phrase "significant unemployment" as used in this subparagraph relates to permanent, indefinite, or extended unemployment that is not insignificant in relation to the total employment of each major company. For example, short-term lay-offs, for purposes of maintenance, are not meant to trigger this requirement.

The phrase "retraining of workers" as used in this subparagraph relates to various types of retraining and worker assistance programs, including those directed to the enhancement of existing skills and the development of new skills useful within the steel industry, and the development of new skills useful outside of the steel industry. The goal of such retraining programs should be to assist the workers in preparing for and obtaining jobs of comparable worth to the positions they held at the time they were laid off.

Companies may establish and operate their own retraining and worker assistance programs. If the companies provide financial assistance for participation in other retraining programs, however, such financial assistance may not be provided in the form of cash payment to the worker, but must be provided in the form of a

voucher, or a payment directly to the institution sponsoring the retraining program. The requirement in this subsection is not meant to provide cash benefits for retraining, or income maintenance benefits. The trade adjustment assistance authorization extension in section 8 of the bill is to provide the means to use income maintenance benefits while the worker is being retrained under the 1 percent set-aside.

The retraining and worker assistance programs provided under this subsection shall be made available to all current workers and former workers of that major company who were laid off at any time since January 1, 1982.

In addition to the commitment of net cash flow to reinvestment and modernization, the President must determine that, during the previous year, the steel industry, taken as a whole, has taken sufficient action to maintain its international competitiveness, including action to restrain and discipline pricing policies and to control costs of production. In making such determination, the President should look to overall trends in the industry, and not focus on individual company pricing and cost data. The Committee's concern is that the President be satisfied that, during the previous year, the industry has acted responsibly in its pricing policies.

The Committee recognizes that extensive unfair trade practices may have caused price depression in the U.S. market for steel, and that effective enforcement of the national policy for the steel industry and a restoration of fair market conditions may result in higher prices. This provision is not meant to force a ban on all price or wage increases. It is meant, however, to make sure that the industry's actions with respect to pricing policies, and control of labor costs, including management bonuses, are not irresponsible and are consistent with maintaining long-term international competitiveness.

SECTION 7: DEPARTMENT OF LABOR WORKER ASSISTANCE PLAN

Section 7 requires the Secretary of Labor to prepare, in consultation with the Steel Advisory Committee, and submit to Congress within six months a proposed plan of action for assisting workers in communities that are adversely affected by steel imports. Such assistance shall include retraining and relocation for former workers in the steel industry who will likely be unable to return to employment in the industry.

An important source of concern to the Committee is the reduction in employment in the steel industry over the past few years and the dim prospects of increased employment in the industry in the near future. This provision requires the Secretary of Labor to develop, within a time certain, a program to assist dislocated steelworkers. In developing such a program, the Secretary should use existing authorities for providing such assistance, such as increased use of the trade adjustment assistance program under the Trade Act of 1974 and increased use of the dislocated worker programs under the Job Partnership and Training Act, but should also recommend to the Congress such additional statutory authority as may be necessary or appropriate to carry out the purposes of the plan.

SECTION 8: EXTENSION OF ADJUSTMENT ASSISTANCE FOR WORKERS AND FIRMS

Section 8 extends the authorization for the worker and firm programs of trade adjustments assistance under Title II of the Trade Act of 1974 for two additional years, through September 30, 1987. The Committee feels that the benefits available to workers and firms under the trade adjustment assistance programs are of substantial value, and that workers in the steel industry would derive significant benefit from a reauthorization of these programs for two additional years.

SECTION 9: EFFECTIVE DATE

Section 9 provides that this Act shall take effect on October 1, 1984.

VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill. H.R. 6301 was ordered favorably reported by the Committee, with one amendment, by a voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee concludes, on the basis of hearing testimony, discussions among Members, and review of recent actions taken with regard to international trade in carbon and alloy steel products, that additional authority to the President is necessary in order to enforce the President's national policy for the steel industry.

In regard to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGETARY AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 7(a) of rule XIII and with clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 6301, as amended, does not provide any new or increased tax expenditures, and the amount of new budget authority is explained in the attached letter from the Congressional Budget Office.

In compliance with clause 7(a) of rule XIII and with clauses (2)(1)(3) (B) and (C) of rule XI of the Rules of the House of Representatives, the Committee provides below information furnished by the Congressional Budget Office on H.R. 6301, as amended, and required to be included herein:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 26, 1984.

HON. DAN ROSTENKOWSKI,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 6301, the Steel Import Stabilization Act, as ordered reported by the House Committee on Ways and Means, September 25, 1984.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 6301.
2. Bill title: The Steel Import Stabilization Act.
3. Bill status: As ordered reported by the House Committee on Ways and Means, September 25, 1984.
4. Bill purpose: To provide authority for enforcing agreements restricting the importation of carbon and alloy steel products into the United States that are entered into for purposes of implementing the President's national policy for the steel industry, and for other purposes.
5. Estimated cost to the Federal Government: Shown below are the estimated budget authority and outlay effects that would result from the enactment of this bill.

(By fiscal year, in millions of dollars)

	1985	1986	1987	1988	1989
Worker assistance:					
Estimated budget authority	0	150	150	0	0
Estimated outlays	0	150	150	0	0
Firm assistance:					
Estimated authorization level	0	25	25	0	0
Estimated outlays	0	25	25	0	0
Total:					
Authorization level/budget authority	0	175	175	0	0
Outlays	0	175	175	0	0

The costs of this bill would fall in budget functions 370 and 600.

Basis of estimate: Section 8 of this bill would extend the current authorization for the Trade Adjustment Assistance program in fiscal years 1986 and 1987. The estimates reflect baseline projections in Trade Adjustment Assistance for workers and firms.

Section 7 of this bill directs the Secretary of Labor to submit to Congress a proposed plan for assisting workers in communities that are adversely affected by imports of carbon and alloy steel products. This plan could result in additional costs, but these cannot be estimated until the plan is developed.

6. Estimated cost to State and local governments: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by the enactment of this bill.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Richard Hendrix and Mary Maginniss.

10. Estimate approved by C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 6301 as amended would not have a significant inflationary impact on prices and costs in the operation of the general economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TRADE ACT OF 1974

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TITLE II—RELIEF FROM INJURY CAUSED BY IMPORT COMPETITION

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CHAPTER 2—ADJUSTMENT ASSISTANCE FOR WORKERS

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Subchapter C—General Provisions

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SEC. 245. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Department of Labor, for each of the fiscal years 1982 through [1985,] 1987, such sums as may be necessary to carry out the purposes of this chapter.

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CHAPTER 5—MISCELLANEOUS PROVISIONS

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SEC. 285. EFFECTIVE DATE.

Chapter 2, 3, and 4 of this title shall become effective on the 90th day following the date of enactment of this Act and chapters 2 and

3 shall terminate on September 30, **[1985.]** *1987*. Chapter 4 shall terminate on September 30, 1982.

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DISSENTING VIEWS

H.R. 6301 purports to supplement the President's new policy for the steel industry, which he announced on September 18 and which provides a comprehensive response to the legitimate concerns of the domestic industry without disrupting other U.S. economic interests. Although the bill contains many pronouncements and "findings", the substance of the bill will be extremely difficult to enforce and may trigger a much greater level of imports than anticipated under the President's program.

The centerpiece of the bill is a provision that ties the President's authority to enforce restraint agreements on steel products to an annual determination that the industry has applied substantially all of its net cash flow to modernization of steel mill plants and equipment, and has taken sufficient action to maintain its international competitiveness. The second substantive part of the bill is a requirement that major steel producers with significant unemployment devote at least 1% of their net cash flow to retraining assistance coupled with a two-year extension of the federal Trade Adjustment Assistance Program. Although these goals sound lofty enough, the effect of these provisions are questionable at best.

First of all, government have never had very great success directing investment for private industry. Part of the serious difficulties facing European steel makers is too much government interference; the U.S. will be making a mistake if we follow a similar course. In addition, the President must determine that "each major company" that has "significant modernization needs" must have invested all of its net cash flow in modernization and retraining or the President's authority to negotiate restraints on steel imports falls like a house of cards. With this requirement, there is little flexibility for the President to reward the most competitive industries and to implement an effective, comprehensive steel policy that will result in a healthy industry with vigorous employment.

Secondly, the requirement that major steel firms contribute 1% of earnings to worker retraining, for past and future unemployed, causes concern because it offers no suggestions as to how this retraining is to occur. Must industry set up its own training programs for jobs outside the industry? Do firms merely reimburse vocational or even liberal arts education for its unemployed? The government itself has had difficulty setting up effective retraining programs that are not exploited and that do not have runaway costs. We need only to look at the history of the TAA program. Now we tell the industry they must do it themselves.

Thirdly, the bill provides a sense of Congress statement that unsubsidized competition in our market should result in a foreign share of the domestic market of approximately 17 percent. No justification or technical data is given for this number, so it appears that a political pronouncement only makes that number magically

correct. The President's approach is much more realistic because it is based on market forces, not government intervention, and states as an estimate that a normal level of steel imports, under existing conditions, should be between 18.5 and 20 percent. The program is for five years, and the success of the new policy should result in a markedly improved competitive position for the steel industry both at home and abroad.

H.R. 6301 is obviously a hastily constructed bill that is designed to give a political response to the President's steel initiative. We believe it contributes very little to the effort to improve the competitiveness of the steel industry and the welfare of steel workers. Indeed, it sets a trap for the President's negotiating authority and may, because of a single industry's failure, negate import restraint on behalf of the entire industry.

We urge our colleagues to oppose H.R. 6301.

BILL FRENZEL.

BARBER B. CONABLE, Jr.

BILL ARCHER.

PHIL CRANE.